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INTRODUCTION

The Office of Internal Audit performed an audit of Manistee and Benzie County DHS for the period October 1, 2006 through November 29, 2007. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Manistee County DHS had 26 and Benzie County DHS 9 full time equated positions (FTE's) at the time of our review. Manistee County DHS provided assistance to an average 3,175 recipients per month in FY 2007, with total assistance payments of \$4,583,640.75 for the fiscal year. Benzie County DHS provided assistance to an average 1,686 recipients per month in FY 2007, with total assistance payments of \$2,328,644.48 for the fiscal year.

Manistee and Benzie County DHS are non-business offices. All disbursements and cash receipts are sent to the regional accounting office in Wexford County for processing and recording on the Local Accounting System Replacement (LASR).

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Manistee and Benzie County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Procurement Card

CIMS/ASSIST/LASR

Payroll and Timekeeping

Cash Receipts

Cash Disbursements

Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

EXECUTIVE SUMMARY

Based on our audit, we conclude that Manistee and Benzie County DHS internal controls need improvement to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Internal controls over CIMS, ASSIST, LASR access, review of system input and cash receipting need improvement. Our audit disclosed no instances of noncompliance with control procedures for the Procurement Card, Cash Disbursements, Controlled Documents, or Client Intake Processing. We did find instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Manistee and Benzie County DHS has reviewed all findings and recommendations included in this report. They indicated in a memo dated February 20, 2008 that the recommendations for findings 1-4, 6, 7, 9, and 13-15 will be implemented as staff resources permit. Recommendations 5, 8, and 12 will be implemented by March 1 and 10. Recommendations 10 and 11 will be implemented as staff is available and during the holidays when the majority of cash and negotiable instruments are received at both of the Local Offices.

FINDINGS AND RECOMMENDATIONS

CIMS/ASSIST/LASR Security

Manistee/Benzie-Inconsistent CIMS Job Status for the FIM's

1. Manistee and Benzie County DHS have assigned Client Information Management System (CIMS) status levels that are inconsistent with the FIM's (Family Independence Managers) job responsibilities.

The FIM's in both counties have "FIS" status on CIMS.

Assigning the FIM's a CIMS status that allows them to register and open cases does not allow for the proper separation of duties

For FIM's assigned a status level above inquiry on CIMS, all of their CIMS transactions appearing on the Transaction Control Report (MA-010) are to be reviewed to ensure they are proper.

WE RECOMMEND Manistee and Benzie County DHS change the CIMS status of the FIM's to inquiry only, or have independent staff review all of the FIM's transactions that appear on the Transaction Control Report (MA-010).

Manistee/Benzie-Appropriate CIMS Job Status & ASSIST Job Profiles for Support Staff

2. Manistee and Benzie County DHS has assigned Client Information Management System (CIMS) status levels and ASSIST job types that are inconsistent with support staff job responsibilities.

The support staff in both counties has “CRS” or “FLM” status on CIMS and ASSIST job profiles 360 and 380 (registration functions).

Local Office Internal Control Criteria for DHS states that if a person has the ability to assign new case numbers and register applications in ASSIST and performs the full range of file maintenance transactions on CIMS, this one person has complete control of a transaction.

Assigning the support staff a CIMS status and ASSIST job types that allows them to register and open cases does not allow for the proper separation of duties.

For staff assigned a status level above inquiry on CIMS and registration capability on ASSIST, all of their CIMS transactions appearing on the Transaction Control Report (MA-010) are to be reviewed to ensure they are proper.

WE RECOMMEND Manistee and Benzie County DHS change the CIMS status of the support staff to inquiry or “IRG” only, or have independent staff review all of their transactions that appear on the Transaction Control Report (MA-010).

Manistee/Benzie-CIMS and ASSIST Enrollment Profile/Security Agreements

3. Manistee and Benzie County DHS did not have current and accurate Client Information Management System (CIMS) Security Agreements (DHS-3974A) or ASSIST Enrollment Profiles (DHS-3720) and Security Agreements (DHS-3721) on file for staff that access CIMS and ASSIST.

Eight staff did not have a DHS-3974A on file. Twenty-nine staff did not have the DHS-3974A signed by the appropriate supervisor when they were enrolled on CIMS with operator or customized status

Five staff had ASSIST job profiles on the ASSIST Monthly User Listing (VB9-554) that were not entered on an approved DHS-3720. Twenty staff did not have a DHS-3720 on file and twenty-two staff did not have the DHS-3721 on file. Six staff had forms on file that were not signed by a supervisor or were not signed by the appropriate supervisor.

CIMS Security Policy requires a DHS-3974A or DHS-3720 and DHS-3721 to be prepared for all new users of CIMS and ASSIST, and for all current operators each time an enrollment change is proposed.

A properly completed security agreement is necessary to document that the staff understands the responsibilities associated with their access level and that the supervisor has approved the level of access for that staff.

WE RECOMMEND Manistee and Benzie County DHS ensure that all staff who have access to CIMS and ASSIST have accurate and current CIMS Security Agreements and ASSIST Enrollment Profiles and Security Agreements on file.

Manistee/Benzie-Reconciliation of the CIMS and ASSIST Security Officer Log Reports

4. Manistee and Benzie County DHS did not have staff reconcile the transactions on the CIMS (PD-180) and ASSIST (VB9-173) Security Officer's Log Report with a revised CIMS Enrollment Profile/Security Agreement (FIA-3974A) or ASSIST Enrollment Profile (FIA-3720).

Local Office Internal Control Criteria requires a complete reconciliation of the Security Officer's Log Reports with the Enrollment Profile Agreements, signed by

management or supervision, to provide assurance that changes to job profiles are authorized. Staff with inquiry only capability, or staff with update capability but not the Security Coordinator, should perform the reconciliation.

WE RECOMMEND that Manistee and Benzie County DHS reconcile the CIMS (PD-180) and ASSIST (VB9-173) Security Officer's Log Report with the CIMS Enrollment Profile/Security Agreement (FIA-3974A) and the ASSIST Enrollment Profile (FIA-3720) signed by management/supervision.

Manistee-Unnecessary LASR User Responsibilities

5. Manistee County DHS staff has been assigned LASR responsibilities that are not needed in order to perform their job duties.

One staff that is required to enter Purchase Order and Accounts Payable Supplier transactions on LASR has been assigned other LASR responsibilities that allow additional access to LASR. This staff requires only the Inquiry and the Purchase Order and Accounts Payable Supplier responsibilities in order to perform their job duties.

LASR system access should be limited to the responsibilities the staff that needs to perform job functions related to the LASR system.

Granting LASR access not required for staff to perform their job duties weakens internal controls over the LASR system.

WE RECOMMEND Manistee County DHS limit the staffs LASR access to Inquiry and Purchase Order and Accounts Payable Supplier User Responsibilities.

Manistee/Benzie-Transaction Control Listing (MA-010) Review

6. Manistee and Benzie County DHS are not reconciling all of the key transactions listed on the Transaction Control Listing (MA-010) report. Only the ampersand transactions on the MA-010 report are being reconciled.

Local Office Internal Control Criteria requires all key transactions and ampersand transactions to be reconciled. Key transactions include case openings, warrant rewrites, and supplemental issuance payments for all programs.

Reconciliation of the key transactions provides assurance that transactions are properly authorized and correctly entered on CIMS.

WE RECOMMEND Manistee and Benzie County DHS reconcile all of the key transactions on the Transaction Control Listing (MA-010) as required by the Local Office Internal Control Criteria.

Manistee/Benzie-Reconciliation of Supplemental Payments with the Transaction Control Listing (MA-010)

7. Manistee and Benzie County DHS have not established adequate control over supplemental payments.

Manistee and Benzie County DHS is not reconciling the supplemental payment authorizations with the Transaction Control Listing (MA-010) Report or maintaining a file of the supplemental payments after they are reconciled.

Local Office Internal Control Criteria require the supplemental payments to be reconciled with the SP270/MA-010 report. Program Administrative Manual Item

405 requires the original notated screen copy to be retained by the reconciling staff.

WE RECOMMEND Manistee and Benzie County DHS reconcile the supplemental payment authorizations with the SP-270/MA-010 report and maintain a permanent file of the payment authorizations after they have been reconciled with the reports as required by the Local Office Internal Control Criteria and Program Administrative Manual.

Payroll and Timekeeping

Manistee/Benzie-Approving the Employee Time and Attendance Record (DHS-4299)

8. Manistee and Benzie County DHS have not established adequate control over the preparation of payroll documents.

A review of the payroll ending 9/22/07 disclosed two Employee Time and Attendance Reports (DHS-4299) that had not been approved by supervisory staff.

Local Office Internal Control Criteria require the employee to accurately complete the DHS-4299 and the supervisor to approve the employee time sheet, attesting to the accuracy of all reported time. The certification section on the DHS-4299 requires the employee and supervisor's signature certifying the accuracy of the reported time.

WE RECOMMEND Manistee and Benzie County DHS have all Employee Time and Attendance Reports (DHS-4299) signed by the employees supervisor.

Manistee/Benzie-Payroll Reconciliation

9. Manistee and Benzie County DHS have not established adequate control over the Data Collection Distribution System (DCDS) time and attendance process.

Manistee and Benzie County DHS is not reconciling a Time and Attendance Summary Report (HR-332A) printed after the payroll has been certified and released in DCDS with the Employee Time and Attendance Reports (DHS-4299) as recommended by the Local Office Internal Control Criteria for DHS.

This reconciliation is necessary to ensure that no changes were made to the payroll after the certifier signs the original HR-332A.

WE RECOMMEND Manistee and Benzie County DHS reconcile the Certified Time and Attendance Summary Report (HR-332A) with the Time and Attendance Summary Report (HR-332A) printed after the payroll has been certified on DCDS.

Cash Receipts

Manistee/Benzie-Delivery of the Mail and Mail Opening

10. Manistee and Benzie County DHS have not established adequate control over funds received in the mail at the Manistee and Benzie County DHS offices.

The mail in Manistee County is delivered by the U.S. Post Office to an unlocked mail box outside of the office. The mail is picked up by one staff and taken to the local office. In Benzie County DHS the mail is placed in a locked mail bag by the post office. In Manistee County, one staff will open the mail and record funds received on the mail logs. In Benzie County the same staff that picks up the mail

will unlock the mail bags and open the mail, recording any funds received on the mail logs.

Local Office Internal Control Criteria for DHS requires two staff to pickup the mail or have the U.S. Post Office deliver the mail to the office in a locked bag. Two staff is to open the mail and record any funds received on the mail logs.

WE RECOMMEND Manistee County DHS have the mail delivered to the Local Office in a locked bag or have two staff pick-up the mail.

WE also RECOMMEND Manistee and Benzie County DHS have two staff open the mail and record any funds received on the mail logs.

Manistee/Benzie-Reconciliation of Cash Receipts

11. Manistee and Benzie County DHS have not established adequate control over the funds received at the local offices and sent to the regional accounting office.

The Manistee County DHS staff that opens the mail and prepares the receipts reconciles the funds received and recorded on the mail logs with the Cash Receipts Register prepared by the regional accounting office. The office manager will periodically perform this reconciliation in Manistee and Benzie County.

Internal controls over the cash receipting process can be improved when staff independent of the receipting process reconciles the cash receipts received and recorded on the mail logs with the receipts recorded in the Cash Receipts Register by the regional accounting office on a monthly basis.

WE RECOMMEND Manistee and Benzie County DHS have staff independent of the receipting process reconcile the mail logs and Official Field Receipts with the receipts recorded in the Cash Receipts Register prepared by the regional accounting office on a monthly basis.

Benzie-Recording Official Field Receipts and Disposition on the Mail Logs

12. Benzie County DHS staff did not always record the Official Field Receipts number or the disposition of the mail log entry on the mail logs.

Recording the Official Field Receipts number and the disposition of the mail log entry on the mail logs will help facilitate the monthly reconciliation process with the regional accounting office and enhance internal controls over the receipting process.

WE RECOMMEND Benzie County DHS record the Official Field Receipt number and the disposition of all mail log entries on the mail logs.

Manistee-Disposition of State Warrants With-in Ten Days

13. Manistee County DHS does not follow established procedures for the disposition of state warrants received at the local office.

A review of the Daily Record and Disposition of Checks/Warrants/EBT Cards (DHS-61) for the period 11/1/06-10/15/07 disclosed eight warrants recorded on the logs. Four of these warrants were not disposed of within ten working days. The disposition date of the warrants recorded on the DHS-61 was 11 to 28 work days after the date initially recorded on the DHS-61.

Accounting Manual 462 states for all Department of Treasury warrants, disposition action must be taken by the ES/FIS Specialist within ten working days after notification by the fiscal office that the warrant has been received.

Failure to dispose of warrants within ten work days increases the risk that the warrant will be misplaced.

WE RECOMMEND Manistee County DHS dispose of all state warrants received at the local office within ten days as required by Accounting Manual 462.

State Emergency Relief (SER)

Manistee/Benzie-Incorrect/No Supporting Documentation

14. Manistee and Benzie County DHS is not following established procedures for State Emergency Relief (SER) payments submitted to support staff for reconciliation with the DHS-849, 93 (A) Issuance Report (ES-440).

A review of 17 Manistee County DHS transactions on the September 2007 ES-440 report disclosed one payment that did not have the signature of the worker on the Authorization Invoice (DHS-849) or screen print on file with the support staff performing the reconciliation.

A review of 30 Benzie County DHS transactions on the August 2007 ES-440 disclosed four payments that did not have the signature of the worker on the Authorization Invoice (DHS-849) or screen print report and four payments that had a photo copy attached. In addition, there were three payments in August 2007 and five payments in October and November 2007 that were submitted without any documentation attached to the DHS-849/screen print.

Local Office Internal Control Criteria requires an original invoice/bill or fax (with vendor identification) to be attached to the DHS-849/screen print forwarded to the reconciling staff for reconciliation with the ES-440 report.

Attaching the original invoice/bill/fax for the amount to be paid to the reconciler and a signed copy of the DHS-849/screenprint helps to ensure that payments are accurate and appropriate.

WE RECOMMEND Manistee and Benzie County DHS attach the original invoice/bill/fax to the Authorization Invoice (DHS-849)/screen print submitted to the support staff performing the reconciliation.

WE also RECOMMEND Manistee and Benzie County DHS have all workers sign the Authorization Invoice (DHS-849)/screen print.

Direct Support Services

Manistee/Benzie-Missing Case Record Documentation

15. Manistee and Benzie County DHS have not followed established policy for the preparation of case record documents in determining eligibility for Direct Support Services (DSS).

Nine Manistee and Benzie County DHS payments were selected for case record examination to determine that the case record contained the appropriate documents relating to the Direct Support Services payment. Two of the nine cases examined did not have all of the required documents. One case did not have proof of ownership for a car repair. One case did not have a valid drivers' license,

documentation of need or reason, or the Support Services Determination (DHS-4749) on file.

PEM 232 requires the case record to contain the documents in order to determine eligibility and to document the Direct Support Services payments.

Lack of the proper documentation to determine eligibility and support a payment increases the risk of improper payments.

WE RECOMMEND Manistee and Benzie County DHS follow established Direct Support Services policy PEM 232 and file all of the required documents in the case record.